

Message Text

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ACTION COME-00

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PASS EXIMBANK

E.O. 11652: N/A
TAGS: EGEN, PL
SUBJECT: LOSS OF CONSTRUCTION CONTRACT BY LARSON, TURNER,
PORAY CONSORTIUM

REF: (A) STATE 19918, (B) STATE 23289, (C) WARSAW 289

1. SUMMARY: THE EMBASSY APPRECIATES THE EXPLANATIONS FROM EXIMBANK (REF A) AND COMMERCE (REF B) ON THE CONTRACT LOSS BY THE TURNER, LARSON, PORAY CONSORTIUM. WE OFFER ADDITIONAL COMMENTS DESIGNED TO ASSIST ANY FUTURE USG EFFORTS ON BEHALF OF THE CONSORTIUM. END SUMMARY.

2. THE CONSORTIUM WAS APPARENTLY PUT TOGETHER BY PRAY, WHO SEEMS TO HAVE THE NECESSARY ARCHITECTURAL SKILLS AND A CONSIDERABLE KNOWLEDGE OF THE POLISH SCENE. BUT HE THOUGHT HE NEEDED A PRESTIGIOUS CONSTRUCTION FIRM AND A FINANCIAL ADVISOR TO IMPROVE HIS CHANCES OF GETTING A LARGE CONTRACT IN POLAND. FOR THE FORMER, TURNER CLEARLY HAD THE REQUIRED CREDENTIALS AND PLAYED A USEFUL, THOUGH NOT LEADING, ROLE IN THE NEGOTIATIONS HERE. MR. LARSON WAS QUITE ACTIVE, BUT SEEMED TO HAVE LIMITED EXPERIENCE IN PUTTING TOGETHER FINANCIAL PACKAGES FOR THIS SORT OF INTERNATIONAL DEAL. ON BALANCE, HOWEVER, WE BELIEVE
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THE CONSORTIUM PERFORMED BETTER THAN MOST US FIRMS SEEKING CONTRACTS IN POLAND.

3. EVEN IF THE GROUP HAD PROPERLY PURSUED MATTERS WITH THE EXIMBANK AND SECURED ITS FULL FINANCIAL SUPPORT, WE DOUBT THAT THE CEMENTATION COMPETITION COULD HAVE BEEN OVERCOME. THE COMBINATION OF THE JAROSZEWICZ VISIT AND THE WILLINGNESS

OF THE BRITISH FIRM TO OFFER ROUGHLY \$35 MILLION IN OPEC COUNTRY CONSTRUCTION WORK TO POLISH FIRMS WOULD HAVE BEEN DIFFICULT TO MATCH. THE KEY FLAW ON THE US SIDE PROBABLY WAS TURNER'S OVERLY CAUTIOUS APPROACH TO THE POLES, AND PERHAPS TO ITS CONSORTIUM PARTNERS. EVEN IF TURNER HAD BEEN GIVEN THE CHANCE, WE DOUBT IT WOULD HAVE BEEN WILLING OR ABLE TO MATCH THE HARD-CURRENCY OFFSETS PROVIDED BY CEMENTATION.

4. IT IS UNFORTUNATE BUT UNDERSTANDABLE THAT THE CONSORTIUM DID NOT DEAL WITH THE MINISTRY OF FOREIGN TRADE AND THE PLANNING COMMISSION. THEY RELIED TOO HEAVILY ON ASSURANCES FROM OFFICIALS OF LOT, INTRACO, MINEX, AND THE MINISTRY OF TRANSPORTATION THAT THIS CONTRACT AWARD WAS GOING TO BE HANDLED DIFFERENTLY THAN PREVIOUS MAJOR PROJECTS IN POLAND. KEY CONTACTS IN THESE ORGANIZATIONS INSISTED THAT A COMMISSION, CONTAINING REPRESENTATIVES OF ALL INTERESTED POLISH ORGANIZATIONS, WAS TO EVALUATE THE MANY OFFERS IN A PROFESSIONAL AND DISPASSIONATE MANNER, AS IS DONE UNDER THE TENDER PROCESS IN MANY WESTERN COUNTRIES. RELYING ON THESE ASSURANCES AND BECAUSE THEY HAD OTHER COMMITMENTS IN THE US AND ELSEWHERE, THE CONSORTIUM'S PRINCIPALS RETURNED TO THE US TO AWAIT FURTHER WORD FROM THE COMMISSION.

5. IT WAS AT THAT MOMENT, WITH THE JAROSZEWICZ VISIT TO LONDON IN THE OFFING, THAT CEMENTATION MADE ITS MOVE. THE COMMISSION PROCESS WAS ABORTED, AND THE MINISTRY OF FOREIGN TRADE APPARENTLY PLAYED A KEY ROLE IN EXTRACTING LAST-MINUTE ADVANTAGES FROM CEMENTATION. GOP NEGOTIATORS ORDINARILY WOULD HAVE TAKEN THE IMPROVED CEMENTATION OFFER AND TRIED TO WHIPSAW THE CON-

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SORTIUM AND OTHER BIDDERS INTO MAKING BETTER OFFERS. THE DESIRE TO HAVE ANOTHER DOCUMENT TO SIGN DURING THE JAROSZEWICZ VISIT FORCED THE MFT TO FOREGO THIS TACTIC.

6. ON A NUMBER OF OCCASIONS, EMBASSY OFFICERS TOLD CONSORTIUM MEMBERS THAT THE NEGOTIATION PROCESS IN POLAND SELDOM FOLLOWS A SMOOTH, PRE-ORDAINED COURSE, AND THAT THEY SHOULD TOUCH ALL BASES, ESPECIALLY THE MFT AND PLANNING COMMISSION. THE RELUCTANCE OF PORAY AND COMPANY TO FOLLOW OUR ADVICE PROBABLY REFLECTS THE SAME UNWILLINGNESS TO GO OVER THE HEADS OF THEIR NEGOTIATING PARTNERS WHICH HAS RECENTLY BEEN DISPLAYED BY OTHER US FIRMS. SUCH AS GM, GE, AND LEVI STRAUSS.

7. NEVERTHELESS, WE BELIEVE THAT THE CONSORTIUM CAN GO BETTER IN POLAND. WASZKIEWICZ'S OFFER TO PROVIDE THE TEN-POINT GUIDANCE FOR THE SZCZECIN PROJECT AND THE SYMPATHETIC WORDS PORAY HAS HEARD FROM TYRANSKI, GENERAL DIRECTOR OF MINEX (WHICH CONTROLS INTRACO), ARE ENCOURAGING. HOWEVER, POLISH NEGOTIATORS ARE USUALLY ENCOURAGING WHEN THEY ARE TRYING TO

ENSURE THAT THERE WILL BE AN ADEQUATE NUMBER OF BIDDERS FOR THEIR NEXT CONTRACT TENDER. WE ARE CONFIDENT THAT WHEN THE SZCZECIN PROJECT OR ANY OTHER CONSTRUCTION PROJECT GETS CLOSE TO BEING AWARDED, THE FRIENDLY ATTITUDE ON THE POLISH SIDE WILL BE REPLACED BY THE USUAL HARD BARGAINING TACTICS.

8. COMMENT: IF THE CONSORTIUM IS TO BE SUCCESSFUL THE NEXT TIME, ITS OFFER WILL HAVE TO RESPOND MORE FULLY TO THE OVER-RIDING CONCERN OF POLISH ECONOMIC AUTHORITIES, I.E., THE COUNTRY'S SERIOUS BALANCE-OF-PAYMENTS SITUATION. CONTRACT AWARDS ON IMPORTANT PROJECTS ARE BEING USED AS DEVICES FOR IMPROVING POLAND'S BALANCE OF PAYMENTS. TO COMPETE EFFECTIVELY FOR FUTURE CONTRACTS, THE CONSORTIUM MAY HAVE TO PROVIDE FRONT-END FINANCIAL CREDITS ON TOP OF PROJECT FINANCING AND/OR SOME FORM OF FOREIGN-EXCHANGE OFFSET. WE WILL CONTINUE TO ASSIST THE CONSORTIUM'S EFFORTS AS BEST WE CAN AND APPRECIATE THE COOPERATIVE ATTITUDES DISPLAYED BY WASHINGTON AGENCIES IN LIMITED OFFICIAL USE

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REFS A AND B.
DAVIES

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NNN

Message Attributes

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Sent Date: 12-Feb-1977 12:00:00 am
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